

Moving toward bundling payment around hospitalizations

ISSUE: Current Medicare FFS payment reinforces a fragmented health care system that does not hold providers accountable for quality and resource use. Bundling payments for care provided around a hospitalization could improve incentives and foster greater “systemness.”

KEY POINTS: This paper first focuses on rationale and implementation issues for two bundling approaches: Medicare paying a bundled payment for an episode of care and Medicare adjusting current provider payments based on the aggregate amount of services delivered across an episode (“virtual bundling”). The paper then explores a variety of ways the policy goal could be pursued incrementally.

ACTION: Commissioners should provide feedback on the design options discussed in the paper.

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